CLAIM AMENDMENTS

1. (Original) A process for causing a stem cell to differentiate into a cell which expresses surfactant protein C (SPC), the process comprising the steps of: (a) culturing the stem cell to give an embryoid body; and (b) culturing the embryoid body under conditions which cause it to differentiate into cells which express surfactant protein C.

2. (Original) The process of claim 1, wherein stem cells are grown initially in step (a) in suspension culture.

3. (Currently Amended) The process of claim 1 ~~or claim 2~~, wherein embryoid bodies formed in step (a) are exposed to differentiation factors.

4. (Currently Amended) The process of ~~any preceding~~ claim 1, wherein step (b) takes place in the presence of epidermal growth factor.

5. (Currently Amended) The process of ~~any preceding~~ claim 1, wherein step (b) takes place in the presence of SAGM.

6. (Currently Amended) The process of ~~any preceding~~ claim 1, wherein the stem cell is an embryonic stem (ES) cell.

7. (Original) A SPC^{+ve} cell differentiated *in vitro* from a stem cell.

8. – 11. (Canceled)

12. (Currently Amended) A method of treating a patient, comprising administering cells according to ~~any one of claims 7 to 11~~ claim 7 to the patient.

13. (Currently Amended) Cells according to ~~any one of claims 7 to 11~~ claim 7 for use as a medicament.

14. (Currently Amended) Use of cells according to ~~any one of claims 7 to 11~~ claim 7 in the manufacture of a medicament for treating a patient.

15. (Currently Amended) A syringe containing cells according to ~~any one of claims 7 to 11~~ claim 7.

16. (Currently Amended) Cells according to ~~any one of claims 7 to 11~~ claim 7, wherein the cells are encapsulated in an artificial material.

17. (Canceled)

18. (Currently Amended) An *in vitro* assay comprising the steps of (a) incubating a test substance with cells according to ~~any one of claims 7 to 11~~ claim 7, and (b) detecting changes in said cells.

19. (Currently Amended) A method for preparing an AE1 cell, comprising the step of culturing cells according to ~~any one of claims 7 to 11~~ claim 7 under appropriate conditions.

20. (Canceled)

21. (Original) A process for causing a stem cell to differentiate into a cell which expresses surfactant protein C, the process comprising the steps of: (a) co-culturing the stem cell with lung mesenchyme; and (b) culturing the cell under conditions which cause it to differentiate into a cell which expresses surfactant protein C.